

In the Matter of	)	No. G01-25
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>FAMILY LIFE INSURANCE</b>	)	AND ORDER ADOPTING REPORT
<b>COMPANY</b>	)	OF
		FINANCIAL EXAMINATION
A Domestic Insurer. _____		

## BACKGROUND

An examination of the financial condition of **FAMILY LIFE INSURANCE COMPANY** (the Company) as of December 31, 1998, was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on May 9, 2001. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

## FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 2 through 22 of the report.

## CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **FAMILY LIFE INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are an appropriate response to the matters found in the examination.

## ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, this being the Instructions and Comments and Recommendations contained in the examination report on pages 2 through 3.

1. The Company is ordered to comply with RCW 48.03.030 requiring free accessibility to accounts and records and 48.05.280 requiring full and adequate accounts and records. Instruction 1, Examination Report, page 2.
2. The Company is ordered to amend the custodial agreement to include standard language required by the NAIC and in compliance with RCW 48.03.025. Instruction 2, Examination Report, page 2.
3. The Company is ordered to comply with the four-percent limitation contained in RCW 48.13.160(4)(b) on the cost of each parcel of real property acquired. The Company is further ordered to comply with RCW 48.13.140(1) and 48.13.350(2)(c) regarding appraisal of and documentation of investment in real estate property and document the type or classification of the acquired real estate known as the Bridgepoint Five Building. Instruction 3, Examination Report, page 2.
4. The Company is ordered to comply with RCW 48.13.140(2) regarding the maintenance of hazard insurance on the real property for either home office or investment in real estate. Instruction 4, Examination Report, page 2.
5. The Company is ordered to comply with RCW 48.31B.030 (1)(a)(iv), RCW 48.05.250, and WAC 284-07-050(2), regarding the recording and annual statement disclosure of the Company's transactions with affiliates. Instruction 5, Examination Report, page 2.
6. The Company is ordered to comply with RCW 48.05.280 regarding reconciliation of its

bank accounts on a monthly basis; establish an escheat account and discontinue carrying a considerable number of old, outstanding checks; and close one inactive checking account. Instruction 6, Examination Report, page 2.

7. The Company is ordered to file a SAR with the NAIC SVO for the Money Market Funds to be included on the Exempt Money Market listing in compliance with RCW 48.03.025 and WAC 284-07-050(2). Instruction 7, Examination Report, page 2.
8. The Company is ordered to change its method of determining the amount of federal income tax recoverable in compliance with RCW 48.05.280. Instruction 8, Examination Report, page 2.
9. The Company is ordered to comply with RCW 48.05.280 regarding maintenance of a comprehensive file of the procedures followed and of data sources used to prepare actuarial assets and liabilities that would facilitate actuarial examinations. Instruction 9, Examination Report, page 2.
10. The Company is ordered to review and modify, if necessary, the reserving methodology and procedures applicable to its universal policies in compliance with RCW 48.74.050(1) and 48.74.060. Instruction 10, Examination Report, page 2.
11. The Company is ordered to review the appropriateness of the reserve treatment under its bulk ADB reinsurance agreement in compliance with RCW 48.12.160(1). Instruction 11, Examination Report, page 2.
12. The Company is ordered to review the appropriateness of its deficiency reserve calculations in compliance with RCW 48.05.280 and 48.74.030. Instruction 12, Examination Report, page 2.
13. The Company is ordered to review the calculations and reserving practices that have sound actuarial bases in compliance with RCW 48.74.030. Instruction 13, Examination Report, page 2.
14. The Company is ordered to adopt a methodology for estimating the liabilities for outstanding death claims that reflects reporting delays in compliance with RCW 48.74.030. Instruction 14, Examination Report, page 2.

15. The Company is ordered to comply with RCW 48.05.250 for future filing of its Annual Statement regarding proper reporting of asset valuation reserve. Instruction 15, Examination Report, page 2.
16. The Company is ordered to comply with RCW 48.12.160(1) in taking reserve credit for reinsurance ceded. Instruction 16, Examination Report, page 3.
17. The Company is ordered to comply with RCW 48.31B.030(1)(b)(iv) and 48.31B.025(2)(c)(vi) regarding separate catastrophe reinsurance agreement. Instruction 17, Examination Report, page 3.
18. The Company is ordered to comply with RCW 48.05.250 regarding proper listing of affiliates or subsidiaries in Schedule Y of the 1998 Annual Statement. Instruction 18, Examination Report, page 3.
19. The Company is ordered to comply with Chapter 284-95 WAC regarding proper transfer of insurance contracts. Instruction 19, Examination Report, page 3.
20. The Company is ordered to include in its asset for cash one inactive checking account. Comments and Recommendations #1, Examination Report, page 3.
21. The Company is ordered to obtain a fidelity bond with the NAIC suggested minimum amount. Comments and Recommendations #2, Examination Report, page 3.
22. The Company is ordered to thoroughly review the liability "Remittances and Items Not Allocated" and either fully and properly apply the amounts in suspense or refund the amounts received to the appropriate party. The Company is further ordered to make its correcting adjustments in a more timely manner in order to properly indicate the true balance of this liability. Comments and Recommendations #3, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 28th day of June, 2001.

MIKE KREIDLER  
Insurance Commissioner